

# Reporting Prizes, Gifts & Awards

## Key Steps / Controls

When purchasing a prize/gift/award or **gift card**, always retain the receipt. According to University Policy, receipts for prizes/gifts/awards or **gift cards** are required for purchases valued at \$75 or greater. Some departments may have stricter policies regarding receipts. Please check with your department for additional questions. **Gift cards** require additional steps and are therefore shown in **bold** text in this section.

1. **Gift card(s)** should always be secured in a locked drawer or cash box, etc. Only purchase the number of cards required during time of purchase to mitigate risk associated with unused cards.
2. When processing a prize/gift/award through Concur, always obtain the recipient(s) name(s) for inclusion in the comment field.
3. If the item is a **gift card**, maintain evidence of distribution, such as a signature, to validate distribution. If the gift card is purchased on one employee's PCard for another employee or faculty member to present, some units obtain the employee or faculty member's signature on the receipt, stating gift card(s) were received and the date, although this is not a Concur requirement.
4. Make sure to mark **gift card** purchases as "yes" in the IRC Exempt field (as with alcohol).
5. Following the guidelines in this document, report the distribution of the prize/gift/award or **gift card** using PeoplePay or the Office of Financial Aid as appropriate (see below).
6. Record/log all gift card purchases, distributions, recipients and dates to ensure all gift cards are properly accounted for at the unit level.
7. Further internal control guidance for use of gift cards can be found on the Internal Controls website at <http://www.finance.umich.edu/controls>

## RULES & REGULATIONS

### Non-Employee Recipients

The University is required to report income of prizes/gifts/awards/gift cards presented to non-employee individuals who are U.S. individuals for tax purposes on Form 1099 MISC, provided all income paid to the individual by University of Michigan meets the reporting threshold amount in aggregate for the entire calendar reporting year. Gifts to non-University recipients should be reported to SSC PeoplePay for central tracking at values above \$75

#### Items of Note:

- Gifts below \$25 do not need to be tracked for tax reporting purposes. Gifts that are between \$25 and \$75 should be internally tracked by the department so that if, in the aggregate, they exceed \$75, they can be reported for tax reporting purposes via SSC PeoplePay.
- Gifts that separately or in the aggregate exceed \$75 shall be reported for tax reporting purposes via SSC PeoplePay.
- Prizes/gifts/awards given to U.S. persons:
  - Total income paid must reach \$600 within the calendar year for Form 1099 MISC to be issued to the recipient and reported to the IRS.
  - If a Form 1099 MISC is issued, the income amount will be reported in box 03 "Other Income".
  - No taxes will be withheld at the time of payment (assuming we have been given the correct taxpayer information).
- If you have reason to believe they are a non-resident alien by Internal Revenue Code definition, any amount given must be reported to SSC PeoplePay
- Individuals handling/distributing gift cards must complete MyLinc Cash Handling training class TME103.

## Employees & Student Employees

When presenting a student who is also an employee with a prize/gift/award or gift card, first decide if the item relates to the individual’s employment (continue here) or academic pursuits (go to section on “Prize, Gift or Award Related to Academic Pursuit”).

### EXAMPLES

Prize, gift or award related to <b>employment</b>	Prize, gift or award related to <b>academic pursuit</b>
Student working as an office aid is awarded an Employee of the Month gift.	Student presented with a gift card for winning a competition in a class.

### Prize, Gift or Award Related to Employment

All Employees (including students who are employees):

- Employees are allowed a total of \$99 in prizes/gifts/awards, including gift cards, during the IRS award year (Jan 1 – Dec 31).
- Single-vendor gift cards (usable at one specific vendor: Starbucks, Target) up to \$50, or multiple single-vendor gift cards that do not total more than \$50 (\$30 Target + \$15 Starbucks) are not taxable on their own, **HOWEVER**, if recipient has accumulated other non-gift card prizes/gifts/awards and the grand total is greater than \$99, it becomes taxable. Report it using [PeoplePay](#). See Appendix for examples.
- Multiple vendor gift cards (Amazon, Visa, MasterCard, Briarwood Mall) are always reportable. The amount of these cards does not matter, there is no limit to reach; even a \$5 Amazon gift card is reportable and needs to be reported using [PeoplePay](#). See Appendix for examples.
- Exceptions are a bereavement gift, length of service award, or traditional retirement gift. Each of these is non-taxable up to \$400 and are treated as a separate transaction from the items mentioned above. If an employee received 2 of these gifts and the total of the two together was greater than \$400, it becomes taxable. Report it using [PeoplePay](#). See Appendix for examples and also the “Policy on Taxation of Gifts, Prizes and Awards to Employees” as referenced in SPG 501.12.

Reporting Examples: employee situations only

<p>\$20 gift card to Speedway  <u>\$40</u> gift card to Target          \$60 single-vendor gift cards</p> <p>Each single vendor gift card is less than \$50 but the total combined value is greater than \$50 so it is all reportable.</p> <p>Must be reported via PeoplePay</p>	<p>\$20 gift card to Speedway          \$40 gift card to Target  <u>\$30</u> non-gift card items          \$90 assorted prizes/gifts/awards</p> <p>Value of the single vendor gift cards combined is greater than \$50 but the total value of gifts is not greater than \$99 so only the gift cards are reportable.</p> <p>Must be reported via PeoplePay</p>	<p>\$275 Years of Service Award (keep separate; service, retirement &amp; bereavement gifts are only added together, never combined with other gifts.)</p> <p>\$45 gift card to Target  <u>\$90</u> non-gift card items          \$135 total</p> <p>Two separate transactions: combined value of gift card and gifts is \$135 which is greater than \$99 so everything is reportable. The \$275 Service Award is less than \$400 so it is not reportable.</p> <p>Must be reported via PeoplePay</p>
<p>\$20 gift card to Speedway          \$40 gift card to Target  <u>\$50</u> non-gift card items          \$110 assorted prizes/gifts/awards</p> <p>Value of the single vendor gift cards combined is greater than \$50 and the total value of gifts is greater than \$99 so everything is reportable.</p> <p>Must be reported via PeoplePay</p>	<p>\$20 gift card to Speedway          \$20 gift card to Target  <u>\$30</u> non-gift card items          \$70 assorted prizes/gifts/awards</p> <p>Value of the single vendor gift cards combined is less than \$50 and the total value of gifts is not greater than \$99 so nothing is reportable.</p>	<p>\$275 bereavement gift basket  <u>\$400</u> retirement watch          \$675</p> <p>Value of combined items is greater than \$400. Only \$275 is reportable.</p> <p>Must be reported via PeoplePay</p>

For general questions related to gifts, contact [giftstoemployees@umich.edu](mailto:giftstoemployees@umich.edu)

## Students - Prizes, Gifts or Awards Related to Academic Pursuits (Affects Student Financial Aid)

Any student-related travel should be discussed with the individual unit or Student Financial Aid before travel takes place as it may affect the student's financial aid package.

### **Reimbursements after the Fact**

For any part of a student's travel that was covered by another source within UM, or any other purchase related to their academic pursuit such as software, a society membership, or data set, follow the respective reporting procedure below.

### **Any/All Students**

1. Expenses that are pre-paid by the unit using:
  - a. P-Card: When a purchase is made on a P-Card for a student, include the student's name and UMID in the Concur business purpose for each transaction related to the student educational expense. The documentation attached to the Concur Expense Report should include the receipts and the [Student Payment Request Form](#), if available. Email a PDF copy of the approved Concur expense report to [OFA-reimburse@umich.edu](mailto:OFA-reimburse@umich.edu) noting that student reimbursements for educational expenses are included in the attached Concur Expense report.
  - b. Purchase Order (or ePro requisition): When processing purchase orders that include expense lines supporting a student's educational expense (i.e. housing/accommodations, conference registrations, site tours, vehicle rentals), note the student(s) name and UMID(s) in the line item expense description. After purchase is completed, email a PDF copy of the invoice to [OFA-reimburse@umich.edu](mailto:OFA-reimburse@umich.edu) noting that student reimbursements for educational expenses are included in the attached report.
2. Expenses that are reimbursed to the student: Include the student name and UMID. The documentation attached to the expense report should include the receipts and the [Student Payment Request Form](#). Send a PDF copy of the approved expense report to [OFA-reimburse@umich.edu](mailto:OFA-reimburse@umich.edu) noting that reimbursement is for educational expenses and is included in the attached expense report.
3. Journal entries or recharges associated with a student's educational pursuit (i.e. supplies from unit inventory, recharges for copies, inter-unit journal entries to share student expenses): Include the student name and UMID in the long description of the journal line and send a PDF copy of the journal entry and supporting documentation to [OFA-reimburse@umich.edu](mailto:OFA-reimburse@umich.edu) noting that the attached journal is for the student's educational expenses.
4. Gift cards given as an award/prize must be reported to OFA via an email to [SFPS@umich.edu](mailto:SFPS@umich.edu) for tax implications. Generally, gift cards are purchased on a Pcard or personal credit card. Either way a Concur expense report will need to be created to reimburse the purchaser. Follow the procedure in #1a above to report the award/prize substituting this email [SFPS@umich.edu](mailto:SFPS@umich.edu) for the one listed.

### **Monetary Awards/Prizes Processed via Student Financial Aid**

Monetary awards and prizes given to students that relate to their academic pursuits should, when possible, be processed through the Office of Financial Aid with a FAIT. Please notify students and faculty or staff who give students gifts, awards, and prizes that any gift/award/prizes accepted may affect their financial aid package. Students should check with the Office of Financial Aid before accepting any gifts/awards/prizes as a best practice. Follow the student financial aid procedures to process these types of monetary awards/prizes.